



AON RISK MANAGEMENT ENHANCES IFSC'S GLOBAL REPUTATION

The establishment of a presence in Botswana's International Financial Services Centre (IFSC) by global insurance broker Aon Corporation has boosted the Botswana IFSC's reputation as a suitable jurisdiction in the risk management and loss control sector



Magne Seljeflot, Chairman AON
Global Natural Resources Practice, London

The establishment of a presence in Botswana's International Financial Services Centre (IFSC) by global insurance broker Aon Corporation has boosted the Botswana IFSC's reputation as a suitable jurisdiction in the risk management sector. Aon Risk Management Services intends to provide risk management and loss control services to clients in 13 countries across sub-Saharan Africa, initially focusing on the mining sector.

The Aon Risk Management Services is wholly owned by the Aon Corporation in the USA, a global insurance broker operating in about 125 countries, including Botswana. The company is listed on the New York Stock Exchange and is a leader in the provision of reinsurance brokerage, management of captive insurance companies, risk management, and insurance brokerage. The IFSC company, Aon

Risk Management Services, is not only basing its African operations in Botswana, but it also intends to provide management and administrative services to Captive Insurance companies.

Aon Risk assists natural resource companies engaged in the mining and industrial sectors to minimise their exposure to risks associated with increased corporate governance, business interruptions, employee related risk, political risk, and sabotage.

The IFSC company will offer and facilitate risk assessment processes through various activities including: business continuity plans; disaster recovery plans; post loss investigations and risk management training. Botswana-based consultants will provide these services to 13 African countries in which the company already has mining and energy clients.

The company successfully secured contracts to supply risk management

services to De Beers Consolidated Mines in South Africa and Namdeb Limited in Namibia. The short space of time in which this was achieved, motivated Aon shareholders to expand the business and provide similar services to other mining and industrial companies in the SADC region. The growing demand for risk management and loss control services outside Botswana prompted the Aon Corporation to take advantage of the incentives provided under the IFSC and use Botswana as its base to spearhead the development of its mining business in Africa. The strength and reputation of Botswana's domestic mining industry awarded Aon in Botswana, the mandate to extend across the continent, including into South Africa.

Aon Risk is not only providing risk management services locally, but is exporting these services to other sub-Saharan countries making Aon in Botswana a true centre of expertise for the sub-continent. Already it is showing that it can

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From left to right, The Minister of Finance and Development Planning Mr. Baledzi Gaolathe, H C L Hermans, Magne Seljeflot, IFSC CEO, Alan Boshwaen, and Pat Honnet

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CHANGES IN IFSC FRAMEWORK ANNOUNCED IN THE 2004/2005 BUDGET SPEECH

The Finance Minister has proposed that present rules restricting IFSC company to conducting business only with non-residents be relaxed to facilitate the establishment of linkages between IFSC companies and sister companies that have existing operations in Botswana.



Parliament Building where the Minister of Finance and Development Planning recently delivered the 2004/2005 budget

Despite media predictions for major changes in Botswana's taxation regime, the Minister of Finance and Development Planning Mr Baledzi Gaolathe delivered few surprises in the 2004/2005 Budget Speech, presented in February. For companies operating within the IFSC there was some positive news.

The Minister has proposed that present rules restricting IFSC company to conducting business only with non-residents be relaxed to facilitate the establishment of linkages between IFSC companies and sister companies that have existing operations in Botswana.

"This proposal when implemented, will remove practical limitations to the sustained growth of present and future IFSC companies" said Alan Boshwaen the Chief Executive Officer of the Botswana IFSC.

Other tax amendments put forward are aimed at improving compliance and administration. The allowable period for filing tax returns has been standardised with all companies now being required to submit their returns and to complete tax payments within four months of their designated year-end.

There is also to be a reduction in the discount that applies for taxation of capital gains on the sale of shares in private companies from 50 percent to 25 percent. The present law allows for a full exemption from Capital Gains Tax for the sale of shares in public companies. This will now be restricted to benefit Botswana resident public companies only.

The Minister also announced that preparations for the introduction of a new system for high-value credit transfers were underway.

This will enable large payments to be made immediately instead of having to wait for clearance of cheques. The move is expected to support Botswana's integration in the international financial marketplace.

The Pensions and Provident Funds Act of 1987 is to be reviewed during the current financial year to provide for standard practices within the industry pertaining to disclosure requirements, accountability and self-regulation.

The New Companies Act is to be updated, simplified and clarified for the incorporation of companies. The government is also developing a foreign direct investment strategy, foreign investment law, and is building capacity for the negotiation of bilateral investment treaties.

TAX SAVINGS FOR BOTSWANA SUBSIDIARIES UNDER NEW RSA LAWS



The Minister of Finance and Development Planning Mr. Baledzi Gaolathe and the RSA Minister of Finance Mr Trevor Manuel.

The Botswana International Financial Services Centre (IFSC) offers a range of incentives to companies with cross-border operations.

One of the advantages of the establishment of a Botswana IFSC company as part of a multi-national group is that amounts charged by the IFSC company to other companies within the group may result in the reduction of the effective group tax burden on the amounts so charged. The amounts may arise from centralising the treasury and finance functions, holding of group tangible and/or intangible property, provision of management, back office or other group consulting or support functions.

In terms of the previous RSA tax legislation, qualifying dividends declared by a company in a 'designated country' were exempt from tax in RSA. Botswana was not a designated country, and therefore profits generated in a Botswana IFSC company that were distributed by way of dividend to RSA were likely to be taxable in terms of the previous legislation 'unless one of the other exemptions applied'.

Previously, the utilisation of a Botswana IFSC company as part of an international structure by a SA multi-national could have at best result in a deferral of South African taxes on the profits accruing to the IFSC company as envisaged above, until such time as the profits were remitted to RSA as dividends.

However, in terms of recent amendments to the RSA legislation, the designated country exemption will be abolished, and dividends declared by foreign companies to

RSA shareholders which hold more than 25% of the equity or ordinary shares in such companies, will be exempt from RSA tax with effect from years of assessment commencing on or after 1 June 2004. Accordingly, dividends declared by IFSC companies to their RSA shareholders after the above dates, will be exempt from RSA tax provided that the RSA shareholders hold more than 25% of the equity shares in the IFSC company, which is generally the case for RSA held multi-national groups.

The effect of this is that a South African tax saving, as opposed to a deferral, may now be achieved in respect of the profits accruing to an appropriately structured IFSC company within the foreign group of a RSA multi-national.

The amendment accordingly increases the tax efficiency from a RSA tax perspective of the utilisation of an IFSC company by RSA multinationals in their foreign groups. There are no exchange controls in Botswana and therefore an IFSC company provides a stable location for international trade and investment holding companies within an exchange control-free environment.

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compete effectively with major competitors in the region, which bodes well for the future development of the export of other services from Botswana. The company will employ and train citizen consultants as well as support staff to service the regional client base. This will further develop the country's intellectual capital and build the reputation of the IFSC as major player in Africa.



Aon Risk is not only providing risk management services locally, but is exporting these services to other sub-Saharan countries making Aon in Botswana a true centre of expertise for the sub-continent.

The risk management services are viewed as only the beginning of Aon's business in Botswana. Aon Corporation has the largest captive insurance operation in the world. Once the necessary insurance laws are enacted in Botswana, Aon and the IFSC expect to take the next step in the growth of Botswana's captive insurance market.

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LEADING RATINGS AGENCY

The development of Botswana's local capital market is expected to receive a major boost following the decision by Global Credit Rating (GCR) Holdings Limited to locate its headquarters within Botswana's International Financial Services Centre (IFSC).

JOINS IFSC

GCR, Africa's leading ratings agency, presently accounts for around 60 percent of all ratings accorded on the African continent and its subscriber base includes most of the leading local and international investment groups.

The company began operations in 1996 as a joint venture between a South African-based ratings agency and the American firm Duff & Phelps Credit Rating Co. Rapid growth saw the company expand into other major African markets and its ratings coverage extending across a full range of securities classes. Within five years, the firm had become the market leader in Africa with regional headquarters in Johannesburg, Harare, Nairobi, and Lagos.

The principal activity of GCR's IFSC company will be to manage group expansion and control acquisitions and investments, including investment in rating businesses operating in identified emerging markets. GCR Holdings Limited will also provide administrative support and management services to subsidiaries and associate companies on a fee basis. A separate local subsidiary, Global Credit Rating Co. (Botswana) Pty Ltd. will set up outside the IFSC structure, which is expected to provide favourable benefits towards the development of Botswana's capital market.

Continuing market reforms in emerging markets, including the development of corporate and sovereign bond markets, the move away from central guarantees in respect of public sector funding, and the ongoing privatisation process, are highlighting the need for credit risk assessment and thus creating a ready market for accurate ratings businesses.

GCR has also identified potential for the structured finance market in Botswana. By combining Botswana's sovereign rating with the company's latest structured finance techniques, the company believes Botswana could develop

The introduction of best international ratings technology and new, sophisticated structured products into the local market will not only provide an opportunity for meaningful skills transfer to citizens, but will also assist in establishing Botswana as the preferred choice for capital raising in the SADC region.

IFSC chief executive officer Alan Boshwaen said the decision by GCR to operate out of Botswana was fulfilling some of the core mandates for which the IFSC was established.

"Local market participants and key regulators have encouraged the establishment of a credit rating agency in Botswana in order to assist in the development of the local capital market. As the continent's leading ratings agency, GCR will be introducing best practice in this sector to Botswana, and will allow for

local corporates to access cheaper funding and local investors to price for risk more efficiently. The existence of a credible ratings service is an essential prerequisite for the development of an efficient bond market. We are confident, GCR will assist in the development of a more transparent and more liquid capital market in Botswana," said Boshwaen.



GCR GLOBAL CREDIT RATING CO.

Local Expertise Global Presence

By combining Botswana's sovereign rating with the company's latest structured finance techniques, the company believes Botswana could develop into the main route for major capital sourcing from within the SADC region

into the main route for major capital sourcing from within the SADC region. The presence of a leading rating agency in the country and its future listing on the Botswana Stock Exchange is expected to increase investment and enhance disclosure levels, while also stimulating liquidity in the market, as Botswana moves to further develop its capital market. GCR will also boost the reputation and profile of the IFSC.

MOTHIBATSELA AIMS TO BUILD TOP BOTSWANA ASSET MANAGEMENT TEAM

When the Imara group was looking for a suitable person to head its Asset Management operation in Botswana, Maleho Mothibatsela's combination of international experience and local knowledge made him the ideal candidate. At the time he was approached by Imara, in September 2003, Mothibatsela wasn't looking to return to Botswana. As a Country Specialist and Associate within the global emerging markets team at J.P. Morgan in London, he was enjoying the challenge of working in one of the major financial centres in the world.

Fortunately Imara was able to

later became Fleming Asset Management and was co-owned by Robert Fleming Holdings.

Mothibatsela was then seconded to Robert Fleming Holdings in London as an analyst covering global emerging markets. Six-months into his secondment, he took on permanent employment with the company in London. Following a series of mergers and acquisitions, he ended up in the London office of US-based firm J.P. Morgan.



Maleho Mothibatsela, CEO Imara Asset Management

industry with a more focused service option.

“We are bringing alternatives in terms of products in the area of asset management. Botswana’s developing financial sector needs more competition and more innovative products,” Mothibatsela says.

The approach by Imara was not entirely out of the blue. Mothibatsela knew the company because it evolved out of Robert Fleming Holdings,

which, in addition to the Fleming Asset Management shareholding, was also the majority shareholder of Stockbrokers Botswana Limited.

The group is headquartered in Botswana with Imara Holdings Botswana Limited established under the IFSC to handle the group's business outside Botswana. Mothibatsela says asset management is a growing industry in Botswana. He believes the entrance of Imara as a stand-alone asset management company is bringing greater depth to the market and is providing the

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“Imara has a strong empowerment strategy in place and as we grow our business, more employment opportunities will be created. Our aim is for our citizen employees to have an equity stake in the business.”

“My mandate is to build a team of citizen asset managers and inculcate the global culture into all aspects of our operations.” He noted.

Alan Boshwaen added that Mothibatsela is one of the growing cadre of Botswana who have gained substantive experience in sophisticated financial markets and are contributing to the depth and range of skills available in Botswana.

persuade him to leave the hustle and bustle of London to come home to Gaborone and build up what he hopes will become a world-class team of Botswana asset managers.

Mothibatsela begun his career as a junior accountant for a civil and construction engineering firm. He joined the investment sector in 1997 when he joined Ngamiland Asset Management as a fixed income and equity analyst, analysing domestic stocks and portfolio management for the domestic portion of the firm's client base. The company



IFSC EYES OFFSHORE BUSINESS PROCESSING INDUSTRY

Botswana International Financial Services Centre is actively seeking to expand its operations into areas that will provide greater employment opportunities for Botswana.

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costs and the ability to transform paper-based activities into digital ones requiring only a telephone and a computer. A broad range of service jobs and back-office functions such as data entry and transaction processing, real-time consumer support, and research services can now be performed remotely. At present India is the market leader in the offshore business processing and call centre sector handling up to 55 percent of this estimated US\$35 billion industry. Business-process offshoring is still in its infancy and current estimates are that US\$3 trillion worth of business functions could be performed remotely.

make Botswana an attractive option for this sector." said Lekalake.

"The investment in education means we have a ready-made work force in place that could operate call centres with some specific training. For economic diversification to be successful, we need to be looking at the service sector where we have real potential," she noted.

The IFSC is engaging a consultant to develop a strategy for attracting call centre and offshore processing business in Botswana. They will be looking at what niche offerings Botswana can provide that suit the specific skill sets already in place here.

South Africa is also venturing into the offshore processing market. It

that will provide greater employment opportunities for Botswana. While manufacturing has had limited success in providing lower level jobs in the country, IFSC Marketing Executive Tebatso Lekalake believes offshore business processing and call centre operations could be a much more viable option for the country.

The IFSC sent a delegation to the Offshore Customer Management International Conference held in New Delhi, India in January this year to get a clearer picture of the potential market for offshore processing and call centres. Key international players and established vendors participated in the conference providing the Botswana delegation with excellent opportunities for establishing contacts in this lucrative, labour-intensive business.

Offshore business processing has been dubbed the "third wave of globalisation made possible by the dramatic fall in telecommunications

Botswana enjoys comparative advantages that have the potential to see a substantial business-process offshoring industry develop in the country. As companies from the US and Britain account for around 70 percent of the market, Botswana is well-placed in terms of its time zone (two hours ahead of Greenwich Mean Time) and in terms of language.

) In Botswana we have high levels of exposure to US and European culture and brands, so the basic knowledge base is in place. Our accent is also considered to be fairly neutral. In addition we have the tax incentives under the IFSC and a liberal economic environment that

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already has 80,000 people employed in offshore call centres and expects a further 70,000 new jobs to be created over the next two years. Lekalake said contact was made with some of the South Africa players at the conference who were interested in seeing how Botswana could be used as a partner in the development of the industry regionally.



IFSC LAUNCHES CAREER FAIR AT GICC



Alan Boshwaen during a presentation at the IFSC Career Fair

The Botswana International Financial Services Centre (IFSC) hosted a business breakfast to launch its Career Fair aimed at showcasing its activities/organisations operating in the IFSC to students, graduates and professionals in Botswana.

Launching the Career Fair scheduled for August 2004, IFSC Chief Executive Officer (CEO) Alan Boshwaen said the main aim

of the career fair is to showcase employment opportunities that exist in the IFSC companies currently operating and those that will be setup in future.

Boshwaen said his organisation will present aspiring workers in the IFSC sector, with information and contacts regarding positions and opportunities that exist in the IFSC.

Said Boshwaen: "We will work at finding jobs for graduates in the IFSC sector, develop a skills audit, educate them on what skills are needed in the IFSC and give them an understanding of the desired outputs in this highly competitive industry."

He added that Botswana's IFSC sector will not only thrive because of the existence of a good environment for Foreign Direct Investments 'FDIs' and technology but will need skilled human resources.

He however regretted the numbers of Botswana refusing to come and work for their country even after being sponsored by government.

'Over 25 percent of the annual budget goes towards education and training, but we are informed that some of these people do not come back home, because of lack of information of work opportunities that exist here 'Botswana', ' said Boshwaen.

He added that Botswana has made a lot of strides in its human resource development as can be witnessed

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by the high literacy levels, access to education and training and the numbers of students being placed in tertiary institutions within and outside the country.

He however regretted that despite all these efforts a recent BIDPA survey reported employer opinion as being that Botswana has a limited skills base and low productivity.

'Our experience in the IFSC further indicates that global financial institutions are struggling to recruit the right level of technical skills, while Botswana professionals abroad perceive the domestic environment as lacking sufficient depth,' said Boshwaen.

In his presentation entitled 'Realising the goals of skills and technology transfer in Botswana', a young Botswana professional Kabo Motsumi, said there is an abundance of young, willing, qualified and readily trained Botswana who can work in the IFSC.

He however said the domestic hurdles such as lack of jobs and the international opportunities that exist especially for students studying abroad make it difficult for Botswana students to come back home.

He suggested tapping into Botswana students while studying abroad to give them assurance of jobs back home, while those that study within Botswana be given high level career guidance. Said Motsumi: 'The problem is that we

are required to come back home upon completion even when jobs do not exist. Why can't we be given a chance to work abroad, gain experience and come back to share our experiences with

others? We also need to devise a networking platform so that we inform students of job opportunities that exist back home.'

He suggested the use of Botswana missions abroad and chat rooms



IFSC LAUNCHES CAREER FAIR AT GICC

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such as www.joblink.co.bw as a means of tapping into Botswana students abroad as well as to upload the IFSC banner on regularly visited internet sites.

In addition, Motsumi said students should be given interview and presentation skills training so as to conduct themselves professionally when seeking jobs.

"Companies should also have an

open door policy so that students aspiring to join their organisations have background information on their operations and the requirements needed to work in their setup," said Motsumi

He called for the integration of skills and technology transfer in company operations at all levels of productivity to achieve professionalism and human resource development.

He implored Botswana to emulate the international experience where industry body networking sessions; CV databases at state level; open door policy; career guidance and excellent information dissemination strategies are practised.

There are currently 22 certified IFSC companies, with 11 operating in fields such as IT, Banking, Insurance, Auditing, Accounting, etc.



Thulisizwe Johnson, Managing Director of Barclays Bank of Botswana also attended the Career Fair



Tebatso Lekalake chatting to AIESEC representatives who attended the Career Fair



Kabo Motsumi, Motswana IT graduate sharing his views.



Naeem Bhamjee (HRMC), Olefile Ramaabya (SEEDCO), Letsebe Sejoe (IFSC) exchanging ideas.



Invited guests engaged in discussions.



Audience listening attentively to presentations



Lesego Matsheka (Marketing Communications FCB), Pat Honnet (AON) & Jack Kardolus (Fones 4 U)



R. Mooketsi (UB) and BAC Representative